1 2 3 4 5 JS - 6 6 7 UNITED STATES DISTRICT COURT 8 9 CENTRAL DISTRICT OF CALIFORNIA 10 11 BACA GARDENING AND Case No. EDCV 08-1328-VAP LANDSCAPING, INC., a (JCx) 12 California Corporation, [Motion filed on October 8, 13 Plaintiff, 20081 14 ORDER GRANTING MOTION TO v. DISMISS 15 PRIZM VINYL CORPORATION, a Delaware corporation, 16 EDWARD SHAPIRO, individually and DOES 1-17 10, inclusive, 18 Defendants. 19 20 The Court has received and considered the papers

The Court has received and considered the papers filed in support of, and in opposition to, Defendant Prizm Vinyl Corporation and Edward Shapiro's Motion to Dismiss Pursuant to Federal Rule of Civil Procedure 12(b)(2). The matter is appropriate for resolution without a hearing pursuant to Local Rule 7-15. The hearing on the matter, set on November 17, 2008 at 10:00 a.m., is VACATED. For the following reasons, the Court GRANTS Defendants' Motion to Dismiss.

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I. BACKGROUND

## A. Factual Allegations

Plaintiff Baca Gardening and Landscaping, Inc. is a California corporation with its principal place of business in Fontana, California. (See Compl. at ¶ 1.)

Defendant Prizm Vinyl Corporation is a Delaware corporation with its principal place of business in York, Pennsylvania. (See Compl. at ¶ 2; Not. Removal at ¶ 3(a)(ii).) Defendant Edward Shapiro resides in Pennsylvania, is a citizen of Pennsylvania, and is alleged to be the "managing agent and/or principal of Defendant Prizm." (Compl. at ¶¶ 4-5; Not. Removal at ¶ 3(a)(iii).) Defendants are retail sellers of vinyl fencing products. (See Compl. at ¶ 9.)

After viewing Defendants' Internet website, Plaintiff contacted Defendants by telephone to purchase vinyl fencing. (See Opp'n at 3; Baca Decl. at ¶ 3.) The parties reached an agreement about the quantity and price of the fencing Plaintiff would purchase. (See Compl. at ¶¶ 10-11.) Defendants shipped the fencing to New Mexico, where it was installed on Plaintiff's property. (See Opp'n at 4.)

Shortly after installation, the fencing began "to warp, bend, bow, distress, move and otherwise become defective." (Compl. at ¶ 13.) Plaintiff contacted

Defendants on several occasions to complain about the defects. (<u>Id.</u> at ¶¶ 15-17.) After the fence was inspected in January 2008, Defendants assured Plaintiff that the defective fencing would be replaced by Defendants. (<u>Id.</u>) Defendants have not honored "their assurances, promises, and warranties." (<u>Id.</u> at ¶ 17.)

# B. Procedural History

On August 26, 2008, Plaintiff Baca Gardening and
Landscaping, Inc. filed a Complaint in the Superior Court
of California, County of San Bernardino, naming as
Defedants Prizm Vinyl Corporation and Edward Shapiro.
(See Compl.) The Complaint listed the following claims:
(1) "Breach of Contract;" (2) "Breach of Implied
Warranties;" (3) "Breach of Implied Warranties (MagMoss);" (4) "Breach of Express Warranties;" (5) "Breach
of Express Warranties (Mag-Moss);" (6) "Breach of Express
Warranties (Comm. Code § 2313);" (7) "Breach of Express
Warranties (Song-Beverly)." (Id.) Defendants removed
the case to the United States District Court, Central
District of California, on September 29, 2008.

Defendants filed a Motion to Dismiss Pursuant to Federal Rule of Civil Procedure 12(b)(2) ("Motion") on October 8, 2008 and the Declarations of Prizm Vinyl Corporation ("Prizm Decl.") and Edward Shapiro ("Shapiro Decl."). Plaintiff filed Opposition ("Opp'n") on

November 3, 2008 and the Declaration of Joe Baca ("Baca Decl."). Defendants filed a Reply on November 10, 2008 and the Declaration of Kristen Hurd ("Hurd Decl.").

### II. LEGAL STANDARD

Federal Rule of Civil Procedure 12(b)(2) governs dismissal for lack of personal jurisdiction. "In order to exercise personal jurisdiction over a nonresident defendant in a case presenting a federal question, the district court must first determine that 'a rule or statute potentially confers jurisdiction over the defendant and then conclude that asserting jurisdiction does not offend the principles of Fifth Amendment due process.'" Doe I v. Unocal Corporation, 248 F.3d 915, 921-22 (9th Cir. 2001), citing Go-Video, Inc. v. Akai Electric Co., Ltd., 885 F.2d 1406, 1413 (9th Cir. 1989).

Due process requires that nonresident defendants have certain "minimum contacts" with the forum state so that the exercise of jurisdiction does not offend traditional notions of fair play and substantial justice. Int'l Shoe v. Washington, 326 U.S. 310 (1945). "[I]t is essential in each case that there be some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the

benefits and protections of its law." <u>Hanson v. Denckla</u>, 357 U.S. 235, 253 (1958).

A court may exercise personal jurisdiction over a nonresident defendant generally or specifically. <u>Doe v.</u>

Am. Nat'l Red Cross, 112 F.3d 1048, 1050 (9th Cir. 1997). Specific jurisdiction exists when: (1) the defendant purposefully avails himself of the "privilege of conducting activities in the forum," (2) the claims arises "from the defendant's forum-related activities," (3) is reasonable. <u>See Data Disc, Inc. V. Sys. Tech.</u>

Assocs., Inc., 557 F.2d 1280, 1287 (9th Cir. 1977). Alternatively, a court has general jurisdiction when the defendant's activities within a state are "substantial" or "continuous and systematic." <u>Id.</u>

The plaintiff has the burden to establish a court's personal jurisdiction over a defendant. <u>Cubbage v.</u>

<u>Merchent</u>, 744 F.2d 665, 667 (9th Cir. 1984), <u>cert.</u>

<u>denied</u>, 470 U.S. 1005 (1985). The plaintiff need only demonstrate facts that if true would support jurisdiction over the defendant. <u>Ballard v. Savage</u>, 65 F.3d 1495, 1498 (9th Cir. 1995) (citations omitted); <u>see also AT&T v. Compagnie Bruxelles Lambert</u>, 94 F.3d 586, 588 (9th Cir. 1996) (where trial court rules on jurisdictional issue based on affidavits and discovery materials without holding evidentiary hearing, plaintiff need only make

prima facie showing). "[C]onflicts between the facts contained in the parties' affidavits must be resolved in [plaintiffs'] favor for purposes of deciding whether a prima facie case for personal jurisdiction exists." Id. (Citations omitted.)

#### III. DISCUSSION

Defendants move the Court to dismiss Plaintiff's Complaint for lack of personal jurisdiction over Defendants, who are out of state residents. (See Mot.) Plaintiff opposes Defendants' Motion and argues the Court has specific jurisdiction over the Defendants. (See Opp'n.) In the alternative, Plaintiff argues the Court should allow the Plaintiff to conduct limited discovery about jurisdiction or transfer the case to another District Court. (Id.)

### A. Specific Jurisdiction

As stated above, Plaintiff has the burden of showing the Court has specific jurisdiction over the Defendants by demonstrating the following: (1) the Defendants have availed themselves purposefully of the benefits and protections of the laws of the forum state; (2) Plaintiff's claims arise out of or relate to Defendants'

<sup>&</sup>lt;sup>1</sup> The Plaintiff argues only that the Court has specific jurisdiction over Defendants, not general jurisdiction. (See Opp'n at 6.) Thus, the Court limits its discussion to specific jurisdiction.

forum-related activities; and (3) the Court's exercise of personal jurisdiction over Defendants is reasonable. <u>See Schwarzenegger v. Fred Martin Motor Co.</u>, 374 F.3d 797, 801-02 (9th Cir. 2004). Without an evidentiary hearing, "the plaintiff need only make a prima facie showing of jurisdictional facts." <u>Sher v. Johnson</u>, 911 F.2d 1357, 1361 (9th Cir. 1990).

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## 1. Purposeful Availment

Defendants argue they have not availed themselves purposefully of the benefits or protections of the laws of California. (See Mot. at 9.) According to Defendants, Plaintiff, located in California, entered into a contract with Defendants<sup>2</sup> over the telephone, followed by a written agreement, for the purchase of vinyl fencing. (Id. at 10.) The fencing was shipped to Plaintiff in Pennsylvania; Plaintiff arranged to have the fencing transported from Pennsylvania to Plaintiff's property in New Mexico, where the fencing was installed. (Id.) Further, Defendants argue their written agreement with Plaintiff stated the contract was to "be construed and accepted in accordance with the laws of the Commonwealth of Pennsylvania." (Id. at 3.) Finally,

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<sup>&</sup>lt;sup>2</sup> Defendant Prizm is a "Delaware corporation with its principal place of business located in York, Pennsylvania." (Mot. at 2.) Defendant Shapiro is "a resident of and is domiciled in Pennsylvania." (<u>Id.</u>)

Defendants argue, "[t]he transaction at issue here was but a one-time contract for the sale of a good which has only an insignificant connection to California because it is where the purchaser happened to be located, but otherwise created no "substantial connection" or ongoing obligation there." (Id. at 10.)

Plaintiff argues Defendants have availed themselves purposefully of California's benefits and protections. Plaintiff alleges Defendants held themselves out to have a "California representative," that Defendants made several telephone calls and sent numerous facsimiles to Plaintiff in California, and that Defendants sent sample fencing to Plaintiff in California. (See Opp'n at 7-8.) According to Plaintiff, Defendants have "benefitted economically by dealing with a California resident and benefitted from California through entering into contracts with [Plaintiff], which would be enforceable under California law." (Id. at 8.)

Plaintiff also argues Defendants have purposefully availed themselves of the benefits and protections of California's laws because the contract documents were sent by facsimile transmission to and executed by

Plaintiff in California and Plaintiff suffers the damage from the alleged breach in California.<sup>3</sup> (Id. at 9.)

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As this is a contract dispute, the Court must examine whether the Defendants "purposefully avail[ed] [themselves] of the privilege of conducting activities or consummat[ed] a transaction in the forum." Yahoo! Inc. v. La Lique Contre Le Racisme Et L'Antisemitisme, 433 F.3d 1199, 1206 (9th Cir. 2006) (citation omitted) (internal quotations omitted). Generally, the fact that a nonresident entered into a contract with a forum resident is not a sufficient minimum contact, alone, with the forum state to satisfy specific jurisdiction. Gray & Co. v. Firstenberg Machinery Co, 913 F.2d 758, 760 (9th Cir. 1990); Boschetto v. Hansing, 539 F.3d 1011, 1019 (9th Cir. 2008). In fact, the Supreme Court has stated, a "contract is but an intermediate step to serving to tie up prior business negotiations with future consequences which themselves are the real object of the business transaction. Burger King Corp. v. Rudzewicz, 471 U.S. 462, 478-79 (1985).

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<sup>&</sup>lt;sup>3</sup> As an initial matter, it is not sufficient to demonstrate purposeful availment that Plaintiff resides 26 in California and suffers the effects of Defendants' alleged breach of contract there. 27 See Casualty Assurance Risk Ins. Brokerage Co. v. Dillon, 976 F.2d 596, 601 (9th 2.8 Cir. 1992).

Jurisdiction is not established automatically because the forum state was the place of contracting, the place of performing, or because the breach caused harm in the forum state; viewing the contract as an intermediate step, the Court must weigh the following factors: (1) prior negotiations between the parties; (2) contemplated future consequences; (3) course of dealings between the parties; and (4) whether or not a choice of law provision was included in the contract. Id. at 479.

Here, the parties present no evidence of prior negotiations. In fact, the parties demonstrate this contract was their first and only instance of negotiating with one another. (See Mot. at 2-3; Opp'n at 3-4.) Thus, this factor does not weigh heavily in the Court's analysis.

Furthermore, the parties present no evidence of an intent to contract in the future or of the future consequences of entering into the contract at issue in this case. Thus, this factor also does not weigh heavily in the Court's analysis.

As to the third factor, the course of performance between the parties was very limited. It consisted of Plaintiff contacting the Defendants by telephone, after visiting Defendants' Internet website. (See Opp'n at 3-

4.) According to Plaintiff, several telephone calls between Plaintiff and Defendants' employees took place and Defendants sent Plaintiff a sample of the fencing before the parties entered into the contract. (Id.)

Based on Plaintiff's proffer, Defendants knew or should have known they were negotiating with a California resident, given the phone number and address to which they directed their communications. This weighs in favor of finding purposeful availment.

As to the final factor, Defendants allege there was a choice of law term in the contract. Defendants submit a contract as an exhibit to the Motion; in the contract, it states it is to "be construed and accepted in accordance with the laws of the Commonwealth of Pennsylvania."

(Mot. at 3.)

Plaintiff objects to Defendants' exhibit, claiming it never received it or was presented with it, and it does not bear Plaintiff's handwriting. (See Opp'n at 11.)

The Court sustains Plaintiff's objection because the document itself is not authenticated properly by any declaration submitted by Defendants. Defendants'

Declaration of Prizm Vinyl Corporation, signed by Edward Shapiro, does present testimony, however, that "[t]he terms and conditions of Plaintiff's purchase of the fencing set forth that the purchase was to be construed

and was accepted in accordance with the laws of the Commonwealth of Pennsylvania." (See Prizm Decl. at ¶ 18.) The Court considers this as evidence that there was a choice of law provision dictating Pennsylvania law be applied to the contract. This weighs against finding purposeful availment.

Based on the totality of the circumstances, the Court finds Defendants did not avail themselves purposefully of the benefits and protections of the laws of California simply by responding to one inquiry by a California resident and subsequently negotiating a contract with that resident. See Boschetto, 539 F.3d at 1019. Plaintiff offers no evidence that Defendants sought out or induced it to enter into a contract; rather, Plaintiff presents evidence that it initiated the contact, based on finding and reviewing Defendants' Internet website, and attributable to any act of Defendants. (See Opp'n at 3-4; Baca Decl. at ¶¶ 2-7.)

<sup>&</sup>lt;sup>4</sup> Plaintiff does not argue that Defendants' Internet website created personal jurisdiction over the Defendants. Also, Plaintiff does not argue whether or not Defendants' Internet website is passive or active. Thus, the Court does not consider whether Defendants' Internet website, alone, could confer specific personal jurisdiction in this case. See, e.g., Int'l L.P. v. Toeppen, 141 F.3d 1316, 1320 (9th Cir. 1998).

In Gray & Co. v. Firstenberg Machinery Co., an Oregon resident called a California company to ask about purchasing used equipment. 913 F.2d 758, 759 (9th Cir. 1990). Based on the telephone call, the company sold to the Oregon resident equipment located in Illinois, on an "as is, where is" basis. Id. The company had no other relationship to or contact with Oregon and the agreement did not contemplate a continuing relationship between the parties. Id. at 760-61. There, the Ninth Circuit found the defendant's contacts with Oregon to be "attenuated" and insufficient to establish purposeful availment. Id. at 761.

Gray & Co. controls here. As in Gray & Co.,

Plaintiff has offered no evidence that Defendant has any contact with California, save its limited communications and negotiations with Plaintiff about entering into a contract, solicited by Plaintiff. Plaintiff has also failed to show the parties contemplated or agreed to a continuing relationship, besides the single vinyl fencing contract. Defendants' contact with California is too attenuated to demonstrate purposeful availment. See Gray & Co., 913 F.2d at 761; see also Kerry Steel, Inc. v. Paragon Industries, Inc., 106 F.3d 147, 151 (6th Cir. 1997) (finding no purposeful availment when defendant had one isolated transaction with plaintiff, initiated over the telephone by plaintiff in forum state, where the

parties came to agreement, facsimile was sent confirming the agreement, and plaintiff sent payment).

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Plaintiff has not made out a prima facie case that Defendants "expressly aimed [their] acts at California." See Schwarzenegger, 374 F.3d at 807; cf. Keeton v. <u>Hustler Magazine</u>, <u>Inc.</u>, 465 U.S. 770, 774-75 (1984) (finding purposeful availment where defendant published magazines in Ohio and circulated them in the forum state of New Hampshire); Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 899 (9th Cir. 2002) (finding purposeful availment where defendant distributed its European products in the forum state of California); World-Wide Volkswagen v. Woodson, 444 U.S. 286, 297-98 ("forum State does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State"); Plant Food Co-Op v. Wolfkill Feed & Fertilizer Corp., 633 F.2d 155, 158-60 (9th Cir. 1980) (Canadian distributor that shipped defective product to Montana may be subjected to personal jurisdiction there).

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Plaintiff has not satisfied its burden of demonstrating Defendants' purposeful availment of the benefits and protections of the laws of California.

# 2. Claims Arising Out Of Or Relating To Defendants' Forum-Related Activities

The Ninth Circuit employs the "but for" causation analysis to determine whether a claim arises out of the defendant's forum-related activities; the plaintiff must show, but for the defendant's forum-related activities, plaintiff would not have been harmed. <u>See Doe v. Unocal Corp.</u>, 248 F.3d 915, 924 (9th Cir. 2001); <u>Ballard v. Savage</u>, 65 F.3d 1495, 1500 (9th Cir. 1995).

Defendants argue they have no forum-related activities, thus this prong of the specific jurisdiction test cannot be met. (See Mot. at 11.) In the alternative, Defendants argue none of their activities relating to California "cause[d] Plaintiff to suffer any damages." (Id.)

Plaintiff argues this prong is met. According to Plaintiff, but for Defendants' alleged breach of their contract, Plaintiff would not have suffered any damage. (See Opp'n at 8.)

Applying the Ninth Circuit's "but for" test, the Court must ask whether or not Plaintiff's alleged injury could be attributed to Defendant's forum-related activities. First, it is necessary to define Defendants' forum-related activities. Here, Defendants' only alleged

contact with California is their communications and negotiations with Plaintiff, located in California, and subsequently entering into a contract with Plaintiff.

Thus, Defendants' relevant activities only relate to the formation of the contract with Plaintiff.

Plaintiff does not allege injury from the formation of the contract, but only the alleged breach of that contract. Plaintiff does not allege that Defendants engaged in any forum-related activities following the formation of the contract. Plaintiff does not allege Defendants breached the contract in California; Plaintiff simply felt the damage resulting from the alleged breach, in California. Thus, Plaintiff has failed to demonstrate how Defendants' forum-related activities, relating to the formation of the contract, could have had a causal connection to Plaintiff's alleged injury from the alleged breach of contract.

#### 3. Reasonableness

Plaintiff has failed to satisfy its burden on the first two prongs of the specific jurisdiction test, thus the Court need not determine whether or not the exercise of jurisdiction is nonetheless reasonable here. <u>See</u>

Menken v. Emm, 503 F.3d 1050, 1057 (9th Cir. 2007) ("If the plaintiff fails to satisfy either of [the first two specific jurisdiction] prongs, personal jurisdiction is

not established in the forum state" (citation omitted)). In any event, given the Court's findings on the first two specific jurisdiction prongs, it would be unreasonable for the Court to exercise specific jurisdiction over the Defendants in this case. <u>See id.</u>; <u>Sinatra v. National</u> Enquirer, Inc., 854 F.2d 1191, 1198-99 (9th Cir. 1988).

# B. Alternative Request For Limited Jurisdictional Discovery

Given the Court's determination that there is no specific jurisdiction over the Defendants, the Court sees granting Plaintiff's request for limited jurisdictional discovery to be futile. Plaintiff fails to specify the discovery it would propound and how that discovery would lead to information that would help it overcome the jurisdictional deficiencies discussed above. Thus, Plaintiff's request is denied.

# C. Alternative Request to Transfer

Plaintiff requests that the Court, in lieu of dismissing the case for lack of personal jurisdiction over Defendants, transfer the case to a district that would have personal jurisdiction over them, namely a District Court that sits in a judicial district that includes Santa Fe, New Mexico. (See Opp'n at 12.) Plaintiff voices concerns that, should the Court dismiss the case rather than transfer it and Plaintiff would be

forced to re-file the case in another jurisdiction, Plaintiff's claims would be barred by applicable statutes of limitations. (Id.) Also, Plaintiff expresses concerns about incurring burdensome financial costs by bringing the claims in a Pennsylvania court; it would be easier for Plaintiff to prosecute the case from a location closer to California. (Id.)

Defendants do not object to the transfer of the case; Defendants urge the Court to transfer the matter to the Commonwealth of Pennsylvania. (See Reply at 4.) Defendants point out that Plaintiff would have four years, under 42 Pa. C.S.A. § 5525, to bring the contract claims in Pennsylvania. (See id. at n.1.)

Transfer to another District Court to cure a personal jurisdiction deficiency is permissible when (1) a court exists in which the case could have been brought originally and (2) it is in the interest of justice. See 28 U.S.C. § 1631; Clark v. Busey, 959 F.2d 808, 812 (9th Cir. 1992). Although jurisdiction would be proper in the Commonwealth of Pennsylvania, Defendants' principal place of business, the Court considers Plaintiff's arguments about whether to transfer the case to the District of New Mexico, in light of Plaintiff's arguments about it being less financially burdensome to prosecute the case in New Mexico.

Plaintiff's case could have been brought in the District of New Mexico; that Court has subject matter jurisdiction, on the basis of diversity jurisdiction, over Plaintiff's claims, just as does this Court. Also, personal jurisdiction over the Defendants may be satisfied in that forum. According to Defendants, "[b]ecause the fencing was delivered to Plaintiff in Pennsylvania and shipped to and installed in New Mexico, any further obligations between the Plaintiff and Prizm would be in either Pennsylvania or New Mexico." (See Mot. at 10.) Defendants' argument could be construed as conceding that Plaintiff's claims could be brought in New Mexico because Defendants have sufficient minimum contacts in that state for personal jurisdiction to be proper.

At the very least, Defendants knew, at the time of contracting with Plaintiff, that Plaintiff was purchasing the materials to be installed in its property in New Mexico; Defendants arranged with Plaintiff to have the materials sent through a common carrier to New Mexico from Pennsylvania. (See Mot. at 3.) Defendants' acts satisfy the inquiry into whether personal jurisdiction over Defendants in New Mexico is proper. See, e.g., Plant Food Co-Op, 633 F.2d at 158-60.

Defendants offer no argument about why the Court 1 should transfer the case to the Commonwealth of 3 Pennsylvania instead of to New Mexico, except noting that 4 Plaintiff has four years to bring its contract claims in 5 Pennsylvania. (See Reply at 4, n.1.) /// 6 7 /// 8 /// 9 /// 10 11 In the interest of justice and after consideration of 12 the parties' arguments, the Court transfers this case to 13 the federal District Court in the District of New Mexico. 14 15 IV. CONCLUSION 16 For the foregoing reasons, the Court GRANTS Defendants' Motion to Dismiss Pursuant to Federal Rule of 17 18 Civil Procedure 12(b)(2) and transfers the case to the 19 District Court in the District of New Mexico. 20 21 Dated: November 12, 2008 22 United States District Judge 23 24 25 26 27